

Message Text

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ACTION STR-04

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CEA-01 CIAE-00 COME-00 DODE-00 EB-07 FRB-03 H-02

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FM USDEL MTN GENEVA

TO SECSTATE WASHDC PRIORITY 2053

INFO AMEMBASSY PARIS

USMISSION EC BRUSSELS

LIMITED OFFICIAL USE SECTION 1 OF 2 MTN GENEVA 8966

ACTION STR

E.O. 11652: N/A

TAGS: ETRD, MTN

SUBJ: AMB WALKER REFLECTIONS ON FRENCH ATTITUDES

TOWARD MTN

1. RECENT CONSULTATIONS WITH FRENCH TRADE POLICY OFFICIALS PROVIDE LITTLE REASON FOR OPTIMISM ABOUT THEIR ATTITUDES ON THE MTN. THREE PRINCIPAL THEMES EMERGED DURING THE COURSE OF MY TALKS IN PARIS LAST WEEK: (1) THE MODESTY OF FRENCH EXPECTATIONS FOR THE MTN. THEY SEE IT AS A MUCH SMALLER AND LESS SIGNIFICANT NEGOTIATION THAN WE; (2) SUSPICION OF U.S. MOTIVES AND MISTRUST OF WHAT IS PERCEIVED AS THE PROTECTIONIST NEGOTIATING MANDATE OF THE U.S. TRADE ACT; AND (3) A DEPRESSINGLY INADEQUATE STATE OF PREPARATION FOR SERIOUS BARGAINING.

(1) EXPECTATIONS. THE FRENCH NOW SEEM TO SHARE U.S. INTEREST IN BRINGING ABOUT A SUCCESSFUL CONCLUSION TO THE LIMITED OFFICIAL USE

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MTN IN 1977, BUT FOR QUITE DIFFERENT REASONS. THE U.S. SEES

1977 AS A KIND OF ECONOMIC AND POLITICAL "WINDOW" IN WHICH WE CAN ACHIEVE MAXIMUM RESULTS IN THE NEGOTIATIONS. BY CONTRAST FRANCE DOWNPLAYS THE RESULTS. INSTEAD, IT SEES THE CONCLUSION OF THE TALKS AS A GOAL IN ITSELF WHICH WOULD GIVE GOVERNMENTS A SUCCESS TO POINT TO IN REASSURING A NERVOUS PUBLIC THAT THE SYSTEM STILL WORKS. IT WOULD ALSO GIVE WORLD LEADERS (NOTABLY GISCARD D'ESTAING, WHO FACES TOUGH PARLIAMENTARY ELECTIONS IN THE SPRING OF 1978) A MAJOR INTERNATIONAL ACCOMPLISHMENT TO CLAIM CREDIT FOR. TO THE FRENCH, THEREFORE, THE SIGNIFICANCE OF THE MTN IS SYMBOLIC RATHER THAN SUBSTANTIVE - AND AS A SYMBOL IT SHOULD NOT BE SO SWEEPING OR AMBITIOUS AS TO THREATEN IMPORTANT INTERESTS. THUS IT IS ONLY A SLIGHT OVERSIMPLIFICATION TO ASSERT THAT 1977 IS A COMMON GOAL BY WHICH THE U.S. HOPES TO MAXIMIZE RESULTS AND THE FRENCH HOPE TO MINIMIZE THEM. OUR CONVERGENCE ON THE GOAL, THEREFORE, IS FROM QUITE OPPOSITE EXTREMES AND IS LIKELY TO YIELD MORE RATHER THAN LESS CONFLICT.

(2) SUSPICION AND MISTRUST. IT IS CLEARLY THE PREVAILING VIEW IN FRENCH OFFICIALDOM THAT THE U.S. TRADE ACT IS PROTECTIONIST, THAT IT IS DESIGNED TO GIVE THE U.S. UNFAIR NEGOTIATING ADVANTAGE AND THAT U.S. TRADE POLICY OBJECTIVES THREATEN BOTH FRANCE AND THE COMMUNITY. THESE CONCLUSIONS EMERGE FROM LENGTHY TALKS WITH TRADE MINISTER ROSSI AND DIRECTOR GENERAL FOR INDUSTRY DA L'ESTOILE, BOTH OF WHOM, BEING NEW TO THE TRADE FIELD, HAD BEEN RECENTLY BRIEFED IN PREPARATION FOR OUR MEETING. THEIR ASSERTIONS TO THIS EFFECT ALMOST CERTAINLY REFLECT THE ATTITUDES OF THE PERMANENT TRADE OFFICIALS IN THE BUREAUCRACY. (MOREOVER, IN ROSSI'S CASE, HE SAID THE SAME ATTITUDE PREVAILS AMONG MEMBERS OF THE FRENCH PARLIAMENT). WE CAN AND SHOULD CONTINUE TO CHIP AWAY AT THIS ATTITUDE, BUT IT SEEMS TO HAVE ACQUIRED THE STATURE OF CONVENTIONAL WISDOM WHICH TENDS TO RESIST RATIONAL ANALYSIS.

THIS FUNDAMENTAL SUSPICION ADVERSELY COLORS FRENCH REACTIONS TO QUITE INNOCENT U.S. INITIATIVES AND THEREBY TENDS TO REINFORCE FRENCH RESISTANCE. GATT REFORM IS A CASE IN POINT. THE U.S. VIEWS ITS EFFORTS TO DEAL WITH THE LIMITED OFFICIAL USE

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DISPUTE SETTLEMENT, DECISION-MAKING AND INTERGOVERNMENTAL CONSULTATION PROCEDURES UNDER THE GATT AS ENIGMA, NEUTRAL AND A QUITE PUBLIC-SPIRITED UNDERTAKING AIMED AT IMPROVING THE FRAMEWORK OF WORLD TRADE FOR THE BENEFIT OF EVERYBODY, NOT JUST THE U.S. THE FRENCH, BY CONTRAST, OPPOSE U.S. INITIATIVES IN THESE FIELDS PRECISELY BECAUSE THEY WANT TO AVOID ANY CHANGE FOR FEAR IT WILL PROVIDE THE U.S. WITH MORE OPPORTUNITIES TO DEPLOY THE PROTECTIONIST PROCEDURAL OPTIONS

WHICH THEY PERCEIVE IN THE TRADE ACT. BERNARD (PREMIER'S EC COORDINATOR) AND ROSSI BOTH PRAISED THE "SMOOTHLY FUNCTIONING GATT MACHINERY". OF COURSE, THEY BOTH KNOW BETTER. IT IS SIMPLY A WAY TO AVOID HAVING TO DEAL WITH A SET OF ISSUES WHICH CAUSES THEM GREAT APPREHENSION. THE SAME IS TRUE EVEN IN THE TARIFF FIELD. HERE DE L'ESTOILE, FOR EXAMPLE, ASSERTED THAT THE TRADE ACT'S 60 PERCENT LIMIT ON CUTS AFFECTING TARIFFS ABOVE 5 PERCENT UNFAIRLY SKEWED THE NEGOTIATIONS IN THE U.S. FAVOR BY LIMITING OUR AUTHORITY TO CUT OUR VERY HIGH TARIFFS TO LEVELS EQUIVALENT TO THOSE OF THE EC. ARGUMENTS THAT U.S. AUTHORITY IS LARGER THAN IN THE KENNEDY ROUND, THAT HIGH TARIFFS AFFECT ONLY A SMALL VOLUME OF TRADE, ETC., WERE ALL TO NO AVAIL. THE POINT DE L'ESTOILE HAD FASTENED ON WAS THAT WE WERE FORCING THE EC (AND FRANCE) TO NEGOTIATE ON OUR TERMS, NOT ON COMMON GROUND. THEIR PERCEPTION OF THE ISSUES IS WARPED BY THEIR FEAR OF BEING DUPED.

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FM USDEL MTN GENEVA

TO SECSTATE WASHDC PRIORITY 2054

INFO AMEMBASSY PARIS

USMISSION EC BRUSSELS

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ACTION STR

(3) INADEQUATE PREPARATION. THE SAME TARIFF DIS-

CUSSION WITH DE L'ESTOILE ALSO REVEALED THE LACK OF SOPHISTATED ATTENTION WHICH HAS SO FAR BEEN GIVEN TO EVEN THIS MOST BASIC PART OF THE NEGOTIATIONS. DE L'ESTOILE AND HIS COLLEAGUES REPEATEDLY DISMISSED REDUCTIONS IN TARIFFS BELOW 15-20 PC LEVELS AS IRRELEVANT. "IF I CAN GET RELIEF FROM AMERICAN NTB'S I CAN COMPETE IN THAT RANGE. THOSE TARIFFS ARE UNIMPORTANT. WHAT I WANT IS REDUCTIONS IN THE 20 PC AND ABOVE TARIFFS," HE SAID. ALL THE TIRED ARGUMENTS FOR PURE HARMONIZATION WERE DUSTED OFF AND TROTTED OUT. NOT A GLIMMER OF ATTENTION SEEMED TO HAVE BEEN GIVEN TO SUCH MATTERS AS DEMAND ELASTICITY IN RESPONSE TO PRICE REDUCTIONS RESULTING FROM LOWER TARIFFS, PRICE-RELATED MARKET PENETRATION POSSIBILITIES OR IMPACT OF LOWER TARIFFS ON PROFITABILITY. THE FRENCH MINISTRY OF INDUSTRY AND RESEARCH HAS ITS MIND FIRMLY FIXED ON THE PEAKS IN THE U.S. TARIFF FORMULA AND HAS NOT APPARENTLY BEGUN TO THINK BEYOND THAT LIMITED OFFICIAL USE

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OBJECTIVE.

THE SAME ABSENCE OF CAREFUL PREPARATION WAS EVIDENT DURING DISCUSSIONS WITH BERNARD ON NTB'S. HE AND COUSIN (HIS STAFF MTN EXPERT) SOUGHT TO DEFLECT MY INTEREST IN DISPUTE SETTLEMENT AND RELATED INSTITUTIONAL ISSUES BY EMPHASIZING FRENCH DETERMINATION TO PURSUE SUBSTANTIVE NEGOTIATIONS AIMED AT LIBERALIZING NTB'S AND BY TREATING INSTITUTIONAL ISSUES AS SOMETHING QUITE SEPARATE AND CERTAINLY LESS IMPORTANT. BERNARD WAS TAKEN ABACK BY MY RESPONSE TO THE EFFECT THAT ALL OF THE NTB CODES HAD ELEMENTS IN COMMON WHICH SHOULD BE LOOKED AT TOGETHER -- SUCH THINGS, FOR EXAMPLE, AS "BEST EFFORTS", APPLICATION TO NON-SIGNATORIES, RULES OF ORIGIN AND DISPUTE SETTLEMENT. IT WAS EVIDENT THAT THEY SIMPLY HAD NOT THOUGHT ABOUT SUCH ISSUES OR THE FACT THAT THESE INSTITUTIONAL ISSUES ARE INTIMATELY BOUND UP WITH THE PROCESS OF SUBSTANTIVE NTB LIBERALIZATION.

2. CONCLUSION. WHERE DOES ALL THIS LEAVE US? WHILE OLD HANDS CAN POINT TO HOW MUCH BETTER THINGS ARE NOW COMPARED WITH TEN YEARS AGO UNDER DE GAULLE, THE FACT IS THAT A VAST CHASM DIVIDES U.S. AND FRENCH ATTITUDES TOWARD TRADE POLICY GENERALLY AND THE MTN IN PARTICULAR. WHILE WE ARE UNLIKELY TO BRIDGE THIS DIVISION. IT RECONFIRMS THE NEED FOR THE FOLLOWING APPROACH.

- A. WE SHOULD CONTINUE TO ASSUME THAT THE FRENCH BUREAUCRACY WILL BE HOSTILE TO MOST U.S. MTN OBJECTIVES;
- B. WE SHOULD KEEP TRYING TO WOO THE BUREAUCRATS AND TO OVERCOME THEIR RESISTENCE. WE SHOULDN'T KID OURSELVES THAT WE WILL SUCCEED, BUT OUR EFFORTS MIGHT MAKE AT LEAST A LITTLE HEADWAY. IN ANY EVENT, THEY CAN'T HURT;

C. WE SHOULD MAINTAIN REGULAR IMINSTERIAL-LEVEL
CONTACT (ROSSI, D L'ESTOILE, BERNARD, ETC.) TO KEEP THE
BUREAUCRACY HONEST AND ON ITS TOES AND TO AT LEAST TRY TO
SWAY THE VIEW OF THOSE IN FRENCH OFFICIALDOM WITH A MORE
GLOBAL VIEW; AND

D. WE MUST PERIODICALLY -- AND AS ISSUES WARRANT IT --
INVOLVENREMIER BARRE. LESS FREQUENTLY, WE MUST RAISE
ISSUES TO THE HEAD OF STATE LEVEL. IT IS SAID IN GENEVA
THAT THERE ARE ONLY TWO FRENCHMEN INTERESTED IN A SUCCESSFUL
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MTN: GISCARD D'ESTAING AND RAYMOND BARRE. THAT'S NOT MUCH
OF AN EXAGGERATION.WALKER

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